

AGENDA ITEM & RECOMMENDATION SUMMARY

ITEM 3.18

City Council X

MEETING DATE: 06/10/2019

Agenda Item: Staff is seeking council acceptance or rejection of Performance Services, Inc. Investment Grade Audit Proposal and if accepted authorize staff to solicit for RFQ's for an independent licensed professional engineering review

Prepared by: Eduardo Belmarez, Purchasing Director

Nature of Request: (Brief Overview)

Attachments: Yes X No

Staff received Investment Grade Audit from Performance Services, Inc., with a Guaranteed Energy Savings and Design-Build cost proposal outlining key scope items such as Water Meters with Advanced Metering Infrastructure (AMI), LED Lighting, Optimize Original Sewer Plant, and Replacement of HVAC equipment approaching end of useful life. Attached is the Investment Grade Audit for your review and/or acceptance.

Chapter 302. Energy Savings Performance Contracts for Local Governments, Section 302.005(b) "Before entering into an energy savings performance contract, the governing body must require that the energy savings, increase in billable revenues, or increase in meter accuracy estimated or projected by provider be reviewed by a licensed professional engineer".

Budgeted: Yes No N/A Fund: _____ Acct. No.: _____

Budget: _____ Est. Cost: _____ Budget Balance: _____

Staff Recommendation: Seeking direction from council

ROUTING: Name/Title	Initial	Date	Concurrence
A. <u>Angie Vela, Finance Director</u>	<u>anw</u>	<u>4/7/19</u>	<u>Yes</u>
B. _____			
C. _____			

Advisory Board Recommendation: Approved Disapproved X None Pending

City Manager's Recommendation: Approved Disapproved None Pending

RECORD OF VOTE:

APPROVED: _____
DISAPPROVED: _____
TABLED: _____

AYES
NAYS
DISSENTING

Seek Council Direction



Performance Services

City of Mission- Investment Grade Audit



Scope of Work



1. New Residential and Commercial Water Meters
2. Advanced Metering Infrastructure (AMI)
3. LED lighting
4. Power Conditioning
5. Smart-Stats
6. Solar PV
7. HVAC
8. Retro-Commissioning
9. Landscaping

Amortization Schedule



City of Mission ESPC Project

Total Construction Cost		\$ 17,655,614										
Investment Grade Audit		\$ 49,200										
Owner's Representative		\$ 300,000										
3rd Party Review		\$ 7,500										
Construction Period (Months)		13.0										
Construction Interest (Capitalized) - Optional		\$ -										
Utility Rate (Not Guaranteed - included in Column 9)												
Total Construction amount including incidental expenses		\$ 17,963,114										
Term of Financing: 15 years												
TOTAL AMOUNT FINANCED USING		INTEREST RATE: 3.7%										
Savings						Payments						
Year	Additional Water Revenue	Energy Savings	30% of Water Department O&M Savings plus Upfront Savings	Estimated Rebate	Capital Cost Avoidance	Total	Annual Debt Service	Annual Service Cost	Annual Maintenance Cost	M&V Services	Total Annual Payments	Net Cash Flow
1	2	3	4	5	6	7	8	9	10	11	12	13
Construction	\$301,431	\$47,743		\$60,000		\$409,234	\$0	\$0	\$0	\$0	\$0	\$409,234
1	\$12,655,964	\$130,573	\$343,244		\$470,347	\$2,210,528	\$0	\$54,054	\$0	\$0	\$0	\$54,054
2	\$123,456	\$136,175	\$350,756		\$430,654	\$2,259,186	\$1,565,354	\$56,967	\$0	\$15,000	\$1,707,260	\$551,90
3	\$129,511	\$139,458	\$358,513		\$431,276	\$2,308,862	\$1,565,354	\$59,814	\$0	\$19,300	\$1,710,467	\$559,29
4	\$1287,322	\$203,657	\$366,400		\$502,077	\$2,359,656	\$1,565,354	\$122,806	\$0	\$19,605	\$1,713,763	\$645,88
5	\$1315,543	\$206,342	\$374,461		\$513,123	\$2,411,569	\$1,565,354	\$125,822	\$0	\$19,916	\$1,717,164	\$664,42
6	\$1344,587	\$212,925	\$382,699		\$524,412	\$2,454,623	\$1,565,354	\$129,069	\$0	\$16,236	\$1,720,659	\$743,96
7	\$1,374,168	\$217,609	\$391,119		\$535,945	\$2,518,845	\$1,565,354	\$132,341	\$0	\$16,561	\$1,724,256	\$754,58
8	\$1,424,430	\$222,357	\$399,723		\$547,745	\$2,574,293	\$1,565,354	\$135,711	\$0	\$16,892	\$1,727,593	\$746,30
9	\$1,435,297	\$227,296	\$408,517		\$559,793	\$2,630,893	\$1,565,354	\$138,183	\$0	\$17,230	\$1,731,767	\$899,12
10	\$1,456,873	\$232,293	\$417,505		\$572,135	\$2,688,773	\$1,565,354	\$122,758	\$0	\$17,575	\$1,735,687	\$553,08
11	\$1,499,144	\$237,400	\$381,690		\$584,692	\$2,702,925	\$1,565,354	\$125,441	\$0	\$17,925	\$1,739,721	\$563,29
12	\$1,532,125	\$242,623	\$390,087		\$597,558	\$2,752,390	\$1,565,354	\$130,234	\$0	\$18,265	\$1,743,873	\$1,185,58
13	\$1,565,832	\$247,961	\$398,669		\$610,701	\$2,823,163	\$1,565,354	\$134,141	\$0	\$18,651	\$1,748,145	\$1,073,01
14	\$1,600,231	\$253,416	\$407,439		\$624,137	\$2,885,273	\$1,565,354	\$138,165	\$0	\$19,024	\$1,752,543	\$1,132,73
15	\$1,635,487	\$259,997	\$416,453		\$637,868	\$2,943,745	\$1,565,354	\$142,310	\$0	\$19,434	\$1,757,068	\$1,191,68
16	\$1,671,467	\$265,689	\$425,564		\$651,901	\$3,013,621	\$1,565,354	\$146,580	\$0	\$19,732	\$1,761,726	\$1,251,95
17	\$1,708,243	\$270,512	\$434,926		\$665,243	\$3,079,921	\$0	\$0	\$0	\$0	\$0	\$3,079,92
18	\$1,745,821	\$275,453	\$444,495		\$680,900	\$3,147,679	\$0	\$0	\$0	\$0	\$0	\$3,147,67
19	\$1,784,229	\$282,546	\$454,274		\$695,830	\$3,215,926	\$0	\$0	\$0	\$0	\$0	\$3,216,92
20	\$1,823,492	\$288,762	\$464,268		\$711,189	\$3,287,700	\$0	\$0	\$0	\$0	\$0	\$3,287,70
Total	\$30,193,960	\$4,781,431	\$3,610,792	\$60,000	\$11,669,576	\$54,704,755	\$23,930,305	\$1,856,440	\$0	\$129,401	\$26,086,146	\$28,814,00

Amortization Schedule- Without Capital Avoidance Savings



City of Mission ESPC Project (Without Capital Cost Avoidance)												
INTEREST RATE: 3.0%												
TOTAL AMOUNT FINANCED USING \$ 17,963,114												
		Savings										
Year	Additional Water Revenue	Energy Savings	80% of Water Department O&M Savings plus Lit Material Savings	Estimated Rebate	Capital Cost Avoidance	Total	Annual Debt Service	Annual Service Cost	Annual Maintenance Cost	M&V Services	Total Annual Payments	Net Cash Flow
1	2	3	4	5	6	7	8	9	10	11	12	13
Construction	\$351,491	\$47,743		\$60,000		\$409,234	\$0	\$0	\$0	\$0	\$0	\$409,234
1	\$1205,954	\$190,973	\$343,244		\$0	\$1,740,162	\$0	\$94,084	\$0	\$0	\$94,084	\$1,646,058
2	\$1232,436	\$195,175	\$350,795		\$0	\$1,778,466	\$1,595,354	\$96,907	\$0	\$15,000	\$1,797,263	\$71,205
3	\$1259,611	\$199,485	\$358,513		\$0	\$1,817,592	\$1,595,354	\$99,814	\$0	\$15,300	\$1,710,467	\$107,125
4	\$1287,322	\$203,857	\$366,400		\$0	\$1,857,579	\$1,595,354	\$102,668	\$0	\$15,606	\$1,713,768	\$143,811
5	\$1315,643	\$208,342	\$374,461		\$0	\$1,898,445	\$1,595,354	\$105,992	\$0	\$15,916	\$1,717,164	\$181,222
6	\$1344,567	\$212,925	\$382,699		\$0	\$1,940,212	\$1,595,354	\$109,069	\$0	\$16,236	\$1,720,656	\$219,552
7	\$1374,168	\$217,609	\$391,119		\$0	\$1,982,856	\$1,595,354	\$112,341	\$0	\$16,561	\$1,724,556	\$258,643
8	\$1404,400	\$222,397	\$399,723		\$0	\$2,026,520	\$1,595,354	\$115,711	\$0	\$16,892	\$1,727,558	\$299,562
9	\$1435,297	\$227,290	\$408,517		\$0	\$2,071,103	\$1,595,354	\$119,163	\$0	\$17,230	\$1,731,767	\$339,337
10	\$1466,873	\$232,290	\$417,505		\$0	\$2,116,668	\$1,595,354	\$122,758	\$0	\$17,575	\$1,735,887	\$380,981
11	\$1499,144	\$237,400	\$381,690		\$0	\$2,165,234	\$1,595,354	\$126,441	\$0	\$17,926	\$1,739,721	\$378,513
12	\$1532,125	\$242,623	\$390,067		\$0	\$2,214,835	\$1,595,354	\$130,234	\$0	\$18,285	\$1,743,673	\$420,963
13	\$1565,832	\$247,951	\$398,669		\$0	\$2,212,462	\$1,595,354	\$134,141	\$0	\$18,651	\$1,748,146	\$464,316
14	\$1600,281	\$253,416	\$407,439		\$0	\$2,251,136	\$1,595,354	\$138,166	\$0	\$19,024	\$1,752,543	\$508,593
15	\$1635,487	\$258,991	\$416,433		\$0	\$2,310,681	\$1,595,354	\$142,310	\$0	\$19,404	\$1,757,688	\$553,813
16	\$1671,467	\$264,689	\$426,564		\$0	\$2,361,720	\$1,595,354	\$146,580	\$0	\$19,792	\$1,761,726	\$599,955
17	\$1708,243	\$270,512	\$434,926		\$0	\$2,413,678	\$0		\$0		\$0	\$2,413,678
18	\$1745,821	\$276,463	\$444,495		\$0	\$2,466,779	\$0		\$0		\$0	\$2,466,779
19	\$1784,229	\$282,546	\$454,274		\$0	\$2,521,040	\$0		\$0		\$0	\$2,521,048
20	\$1823,482	\$288,762	\$464,258		\$0	\$2,576,511	\$0		\$0		\$0	\$2,576,511
Total	\$30,193,960	\$4,781,431	\$8,010,792	\$60,000	\$0	\$43,946,113	\$23,930,305	\$1,895,440	\$0	\$259,401	\$26,086,146	\$16,960,837

Project Scope



Building	Utility Cost Reduction Measures						Cost Avoidance Owner Directed Work
	Water Meters w/ AMI	LED Lighting	Power Conditioning	Smart Stats	Retro- Commissioning	Solar PV	
Water Meters	◆						
City Hall		◆	◆	◆			◆
Courts/Police Station	◆	◆	◆	◆		◆	
Central Fire Station	◆			◆			
Event Center			◆		◆		
Adult Recreation Center	◆			◆			
Speer Memorial Library	◆	◆	◆				
Boys & Girls Club						◆	
Sewer Plant	◆	◆	◆				
Museum #1	◆			◆			
Museum #2	◆			◆			
Public Works	◆			◆			
Water Plant (North)	◆	◆	◆	◆			
Water Plant (South)	◆	◆	◆	◆			
Bannworth Gym	◆			◆			
Bannworth Park	◆						
Bannworth Pool	◆			◆			
Mission Chamber of Commerce	◆			◆			
Sergio Munoz I Henry Cuellar	◆			◆			
Health Dept (Dog Pound)	◆						
Fire Station #2	◆			◆			
Fire Station #3	◆			◆			
Fire Station #4	◆			◆			
Fire Station # 5	◆			◆			
Kika de la Garza Bldg. (UVAL)	◆			◆			
Golf Course Clubhouse	◆			◆			
Head Start	◆			◆			
Mission Community Center	◆			◆			
Mayberry Gym	◆			◆			
Mayberry Pool	◆						
North Side Pool	◆			◆			
Old Food Pantry	◆						
City Warehouse	◆			◆			
Police Substations	◆			◆			
Sanitation Department	◆			◆			
Service Center (Food Pantry)	◆			◆			
Strickland Bldg	◆						
Texas Citrus Fiesta Office	◆						
CDBG Building		◆					

Project Scope & Savings

UCRM No.	UCRM Title	ANNUAL SAVINGS										Project Cost (\$)	Payback (yrs.)
		Electric Energy (kWh/yr)	Demand (kW/yr)	Electric (\$/yr)	Natural Gas (th/yr)	Natural Gas (\$/yr)	Water/Sewer (kgal/yr)	Water/Sewer (\$/yr)	O&M Savings	Annual Capital Cost Avoidance			
1	Water Meters w/ AMI						321,591	\$1,205,964	\$324,600	\$395,044	\$14,646,194	7.6	
2	LED Lighting	1,667,695	3,220	\$104,070					\$18,644		\$1,205,564	9.8	
3	Power Conditioning	426,420	1,462	\$49,865							\$445,505	8.9	
4	Smart Stats	315,969	0	\$12,826							\$132,723	10.3	
5	Retro-Commissioning	129,677	0	\$5,035							\$36,714	7.3	
6	Solar PV	187,672	207	\$9,672							\$240,608	24.9	
7	New HVAC	80,582	553	\$9,506					\$38,119	\$762,389	16.0		
8	Owner Directed Work								\$37,184	\$185,918	5.0		
Totals		2,808,013	5,441	\$190,973	0	\$0	321,591	\$1,205,964	\$343,244	\$470,347	\$17,655,614	8.0	

Guaranteed Energy Savings Performance Contracting



- Savings/Revenues are **Guaranteed** = City of Mission is 100% protected
- Zero capital/money down required
- **Two (2) years of deferred (zero) payments**
- **Tax Exempt Lease Purchase** = Non-Appropriated Funds
- Accomplish addressing many city needs without tapping into general fund
- A project delivery mechanism that ensures success and has long-term contractor accountability
- Once again, Utility Savings/Revenues are **Guaranteed**.

Guaranteed Energy Savings Performance Contracting



CITY OF
MISSION

Financial Guarantees
as per Texas Local Government Code 302.001

Fixed Repayment Schedule
Includes- 2 Years of deferred payments

Performance
Services

Financial Institution

Tax Exempt Lease Purchase w/non-appropriation

Guarantees & Protection for the City of Mission

- 
- As per 302.001, the City of Mission is financially protected on an annual basis that the Smart City project savings will be equal to, or greater than the annual project costs.
 - Zero change orders- Yes, we mean **ZERO** change orders.
 - Zero capital/money down required
 - As required by Local Government 302, an independent, and verifiably qualified 3rd party Texas licensed Professional Engineer needs to review scope of work and financial benefits to ensure that PSI project financial benefits will be obtained.

Benefits to the City of Mission

1. The City of Mission knows that their project will deliver the financial results identified in the Investment Grade Audit.
2. The City of Mission knows that the project costs is the project costs and there will be no surprises with any change orders.
3. The City of Mission is 100% financially protected!

City of Mission, a Smart City!



A Smart Financial Solution

A Smart Operational Solution

A Smart Environmental Solution

A Smart Customer Service Solution

A Smart Sustainable Solution

City of Mission, a Smart City!

21ST CENTURY SMART CITY PROJECT
Adopting the most advanced AWWA water meter standard

Performance Guarantees Mandated by TX State Statutes

Self Funding Project

No New Taxes

Financial + Environmental Benefits of Smart City Project

\$35,168,907 Total Utility Savings (20 years)	\$7,548,655 Operational Savings (20 years)
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Annual water loss reduction by 6.5% (321,590,506 gallons)

Electricity savings of 4,691,800 kWh from Solar PV (25 years)

Enhanced water utility customer service via online portal

Greenhouse gases will be reduced by 2,067 metric tons, equivalent to:

Greenhouse gas emissions from 439 vehicles for one year	CO ₂ emissions from 248 homes' energy use for one year
CO ₂ emissions from 2,259,894 pounds of coal burned	Carbon sequestered by 2,433 acres of U.S. forests in one year

Project Scope

Advanced Metering Infrastructure	Mechanical Upgrades Throughout the City	Power Conditioning
Smart Water Meters	LED Lighting	Landscape Beautification
Smart-Stats	Solar PV	Performance Services